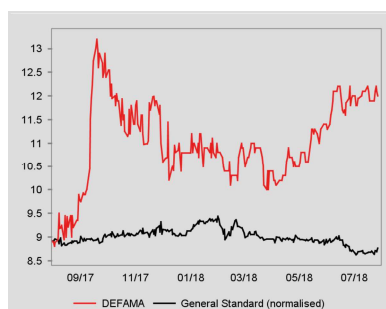


Buy EUR 14.30 Price EUR 12.00 Upside 19.2 %	Value Indicators: EUR NAV (WRe): 14.40 FFO-Yield: 14.36	Share data: Bloomberg: DEF GR Reuters: DEF.MU ISIN: DE000A13SUL5	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 42.56 No. of shares (m): 3.55 Freefloat MC: 20.22 Ø Trad. Vol. (30d): 9.46 th	Shareholders: Freefloat 47.5 % MSC Invest GmbH 35.2 % Geminus GmbH 4.8 % Supervisory board 2.1 % ABCON Vermögensverwaltung 10.4 %	Risk Profile (WRe): 2018e LTV: 63.4 % Equity Ratio: 18.5 %

H1 result beat expectations; FFO guidance increase

Stated figures H1/2018					Comment on Figures:
in EUR m	H1/18	H1/18e	H1/17	+/- in %	
Revenues	4.23	4.13	2.45	73%	<ul style="list-style-type: none"> DEFAMA released preliminary figures for H1 today (Monday). The full set of numbers will be published in August. DEFAMA's H1 performance beat expectations with revenues of EUR 4.2m. The strong increase of 73% was driven by several acquisitions in the course of the last 12 months. In H1 2018 DEFAMA benefitted from the acquisition of Hamm (since June) and the full consolidation of Kolosseum Spreewald (Lübbenau). Further growth is expected from the acquisition of the retail centre Mylau and potential additional acquisitions in the next months. EBITDA, EBIT and net profit growth also exceeded estimates but the growth rate was smaller than the top-line improvement due to acquisitions-related expenses. FFO growth of 60% looks good and leads to an FFO margin of 41%.
EBITDA	2.58	2.46	1.58	63%	
EBIT	n.a.	1.61	1.08		
EBT	1.08	0.95	0.74	46%	
Net profit	0.85	0.80	0.59	44%	
EPS (€)	0.24	0.22	0.17	44%	
FFO	1.74	1.59	1.09	60%	
FFO-margin	41%	39%	44%	-8%	
FFOPS (€)	0.49	0.45	0.31	60%	
LTV (%)	n.a.	65.5%	68.3%		
NAV/share (€)	n.a.	5.31	5.31		

- DEFAMA's management increased the FFO guidance for FY 2018 from EUR 3.2m to EUR 3.4m. This figure does not include the impact from the JV Radeberg, which should lead to a decline of EUR ~200k from the sale of ~50% of this retail centre. On the other hand, DEFAMA will achieve a one-off gain of ~EUR 2.25m.
- DEFAMA's growth trend remains visible with sound H1 numbers. The investment case is fully intact as the company avails of selective growth opportunities in a niche market. The guidance increase confirms our positive view of expected operating growth. We feel comfortable with our FFO estimate of EUR 3.45m which already includes the reduction from the JV in Radeberg.

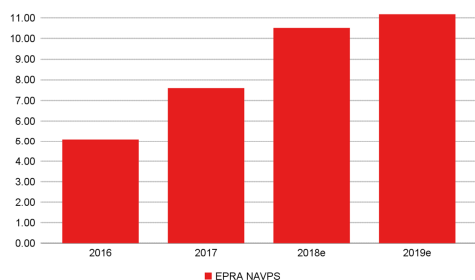


Rel. Performance vs General	
1 month:	n/a
6 months:	15.0 %
Year to date:	15.1 %
Trailing 12 months:	35.7 %

Company events:
08.08.18 RS LON

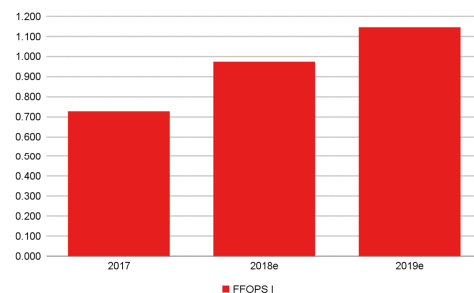
FY End: 31.12. in EUR m	CAGR (17-21e)	2015	2016	2017	2018e	2019e	2020e	2021e
Rental income		1.01	3.44	5.83	8.73	10.40	12.59	14.83
Change yoy		n.a.	240.6 %	69.5 %	49.8 %	19.1 %	21.0 %	17.8 %
EBIT		0.46	1.67	2.67	4.92	4.68	5.58	6.69
FFO I		0.53	1.59	2.58	3.45	4.06	4.87	5.74
FFO I-margin		52.2 %	46.2 %	44.3 %	39.6 %	39.1 %	38.7 %	38.7 %
EBT		0.36	1.11	1.77	3.67	3.09	3.65	4.42
Net income		0.30	0.89	1.36	2.71	2.17	2.53	3.14
EPS		0.14	0.30	0.38	0.76	0.61	0.71	0.88
FFOPS I		0.24	0.54	0.73	0.97	1.15	1.37	1.62
DPS		0.10	0.20	0.34	0.42	0.50	0.59	0.69
Dividend Yield		n.a.	3.8 %	3.8 %	3.5 %	4.2 %	4.9 %	5.9 %
Book Value / Share		2.57	3.00	3.18	3.53	3.64	3.76	3.96
EPRA NAVPS		3.26	5.10	7.60	10.52	11.18	13.58	21.13
P / E		n.a.	17.2 x	23.2 x	15.7 x	19.6 x	16.8 x	13.1 x
Price / Book		n.a.	1.4 x	2.8 x	3.4 x	3.3 x	3.2 x	2.9 x
P / NAVPS		n.a.	1.0 x	1.2 x	1.1 x	1.1 x	0.9 x	0.5 x
FFO I-Yield		n.a.	10.4 %	8.2 %	8.1 %	9.5 %	11.4 %	13.9 %
ROE		n.a.	10.9 %	12.4 %	22.8 %	17.1 %	19.3 %	22.9 %
LTV		59.7 %	56.0 %	61.1 %	63.4 %	65.4 %	67.1 %	68.5 %
Equity Ratio		31.6 %	32.0 %	20.5 %	18.5 %	15.8 %	13.9 %	12.7 %
Guidance:	2018e: FFO of EUR >3.2m, EPS (HGB) of EUR >0.49 +one-off from JV Rade. of 0.25							

NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

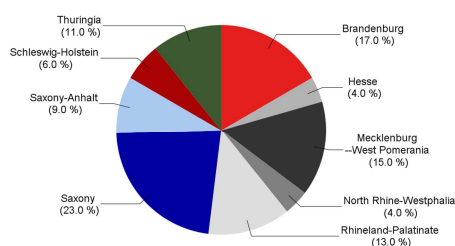
Company Background

- Founded in 2014 and headquartered in Berlin, DEFAMA focuses on the acquisition, ownership and management of retail parks in German small and medium-sized cities, predominantly in Northern and Eastern Germany.
- The investment strategy is to "buy and hold" assets with high occupancy and minor capex needs for a maximum purchase price of 9x annual rent.
- Investment volumes are EUR 1 - 5 million per asset. Anchor tenants are nationwide retailers.

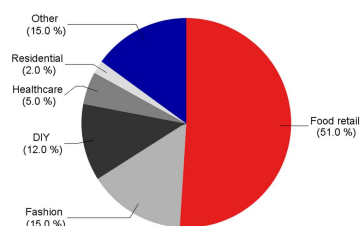
Competitive Quality

- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small for institutional investors and can "buy low".
- Strong access to local public banks networks, for whom real estate financings for DEFAMA projects are large and important deals. They in turn know smaller tenants well.
- Focus on leading centers in smaller cities ("big fish in a small pond").

Geographical breakdown of rental income % of total rental income



Rental income by sector % of rental income



Source: Warburg Research

Valuation	2015	2016	2017	2018e	2019e	2020e	2021e
P / E	n.a.	17.2 x	23.2 x	15.7 x	19.6 x	16.8 x	13.1 x
P / NAVPS	n.a.	1.0 x	1.2 x	1.1 x	1.1 x	0.9 x	0.5 x
Price / Book	n.a.	1.4 x	2.8 x	3.4 x	3.3 x	3.2 x	2.9 x
P / FFOPS I	n.a.	9.6 x	12.2 x	12.3 x	10.5 x	8.7 x	7.2 x
FFO I-Yield	n.a.	10.4 %	8.2 %	8.1 %	9.5 %	11.4 %	13.9 %
ROE	n.a.	10.9 %	12.4 %	22.8 %	17.1 %	19.3 %	22.9 %
Equity Ratio	32 %	32 %	21 %	19 %	16 %	14 %	13 %

Company Specific Items	2015	2016	2017	2018e	2019e	2020e	2021e
NAV/Share	3.26	5.10	9.09	10.52	11.18	13.58	21.13
Vacancy Rate	2.5 %	2.7 %	2.7 %	3.5 %	3.0 %	3.0 %	3.0 %

Consolidated profit and loss

In EUR m	2015	2016	2017	2018e	2019e	2020e	2021e
Total Sales	1.01	3.44	5.83	8.73	10.40	12.59	14.83
Rental income	1.01	3.44	5.83	8.73	10.40	12.59	14.83
Change yoy	n.a.	240.6 %	69.5 %	49.8 %	19.1 %	21.0 %	17.8 %
Property operating costs	0.15	0.60	1.24	1.86	2.18	2.71	3.19
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	0.86	2.84	4.58	6.87	8.22	9.88	11.64
Income from property sales	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Other revenues	0.00	0.11	0.12	0.12	0.12	0.12	0.12
Gross profit	0.87	2.95	4.70	7.99	8.34	10.00	11.76
Administration expenses	0.12	0.38	0.35	0.52	0.52	0.76	0.89
Personnel expenses	0.05	0.20	0.47	0.72	0.85	1.03	1.22
Other operating income/expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	0.69	2.36	3.89	6.75	6.86	8.21	9.66
Valuation result	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Depreciation of fixed assets	-0.23	0.69	1.22	1.83	2.18	2.63	2.97
EBITA	0.46	1.67	2.67	4.92	4.68	5.58	6.69
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	0.46	1.67	2.67	4.92	4.68	5.58	6.69
Interest income	0.01	0.00	0.00	0.00	0.10	0.10	0.10
Interest expenses	0.11	0.56	0.90	1.25	1.60	1.93	2.27
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-0.11	-0.56	-0.90	-1.25	-1.60	-1.93	-2.27
EBT	0.36	1.11	1.77	3.67	3.09	3.65	4.42
<i>Margin</i>	<i>35.4 %</i>	<i>32.2 %</i>	<i>30.4 %</i>	<i>42.0 %</i>	<i>29.7 %</i>	<i>29.0 %</i>	<i>29.8 %</i>
Total taxes	-0.06	-0.22	-0.41	-0.77	-0.65	-0.65	-0.65
thereof cash taxes	-0.06	-0.22	-0.41	-0.77	-0.65	-0.77	-0.93
Net income from continuing operations	0.30	0.89	1.36	2.90	2.44	2.88	3.49
Income from discontinued operations (net of tax)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income before minorities	0.30	0.89	1.36	2.90	2.44	2.88	3.49
Minority interest	0.00	0.00	0.00	0.18	0.27	0.35	0.35
Net income	0.30	0.89	1.36	2.71	2.17	2.53	3.14
Number of shares, average	2.16	2.92	3.55	3.55	3.55	3.55	3.55
FFO (II)	0.53	1.59	2.58	3.45	4.06	4.87	5.74
<i>FFO I-margin</i>	<i>52.2 %</i>	<i>46.2 %</i>	<i>44.3 %</i>	<i>39.6 %</i>	<i>39.1 %</i>	<i>38.7 %</i>	<i>38.7 %</i>
FFOPS I	0.24	0.54	0.73	0.97	1.15	1.37	1.62
EPS	0.14	0.30	0.38	0.76	0.61	0.71	0.88
EPS adj.	0.14	0.30	0.38	0.48	0.61	0.71	0.88

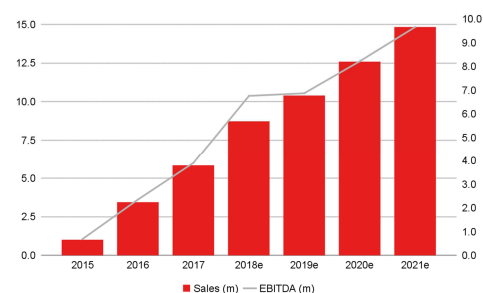
*Adjustments made for:

Guidance: 2018e: FFO of EUR >3.2m, EPS (HGB) of EUR >0.49 +one-off from JV Rade. of 0.25**Financial Ratios**

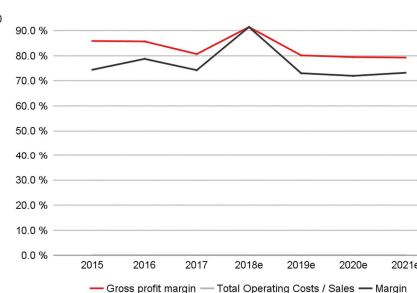
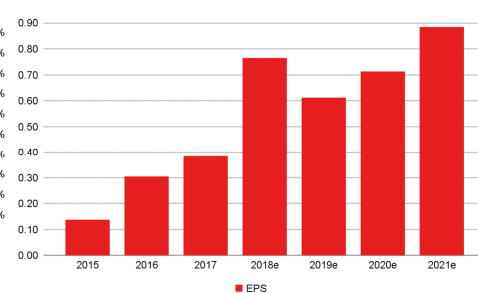
	2015	2016	2017	2018e	2019e	2020e	2021e
Property operating costs / Rental Income	14.4 %	17.3 %	21.4 %	21.4 %	21.0 %	21.5 %	21.5 %
Operating Leverage (Real Estate)	n.a.	1.3 x	2.3 x	2.7 x	6.1 x	5.7 x	6.6 x
Rental profit / interest expenses	7.5 x	5.1 x	5.1 x	5.5 x	5.1 x	5.1 x	5.1 x

Sales, EBITDA

in EUR m

**Operating Performance**

in %

**Performance per Share**

Source: Warburg Research

Source:

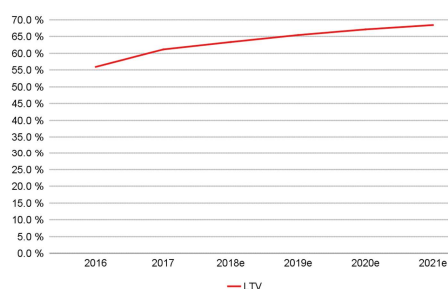
Source: Warburg Research

Consolidated balance sheet

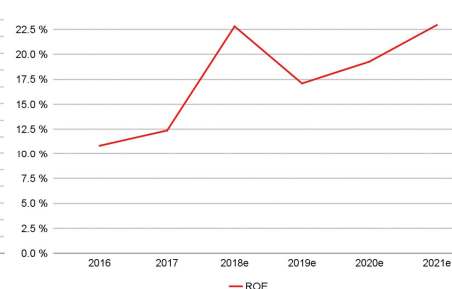
In EUR m	2015	2016	2017	2018e	2019e	2020e	2021e
Assets							
Goodwill and other intangible assets	0.00	0.01	0.01	0.01	0.01	0.00	0.00
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.00	0.01	0.01	0.01	0.01	0.00	0.00
Property, plant and equipment	0.00	0.03	0.03	0.04	0.04	0.04	0.04
Investment properties	14.23	31.41	51.96	65.63	80.95	95.82	110.35
Financial assets	0.04	0.05	0.24	0.24	0.24	0.24	0.24
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	14.28	31.50	52.24	65.91	81.24	96.10	110.63
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.04	0.12	0.22	0.22	0.00	0.22	0.22
Liquid assets	3.71	1.46	2.49	2.61	1.39	0.91	1.28
Other short-term assets	0.08	0.17	0.46	0.46	0.68	0.46	0.46
Current assets	3.83	1.75	3.17	3.29	2.08	1.59	1.96
Total Assets	18.10	33.25	55.41	69.21	83.31	97.70	112.60
Liabilities and shareholders' equity							
Subscribed capital	2.23	3.55	3.55	3.55	3.55	3.55	3.55
Capital reserve	2.21	6.15	6.15	6.15	6.15	6.15	6.15
Retained earnings	1.28	0.94	1.59	2.82	3.20	3.64	4.34
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	5.72	10.64	11.29	12.51	12.90	13.33	14.03
Minority interest	0.00	0.00	0.10	0.29	0.29	0.29	0.29
Provisions	0.06	0.20	0.36	0.36	0.36	0.36	0.36
thereof provisions for pensions and similar obligations	0.03	0.10	0.18	0.18	0.18	0.18	0.18
Financial liabilities (total)	12.24	20.83	43.07	57.23	70.55	84.07	97.77
thereof short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.02	0.08	0.19	0.19	0.19	0.19	0.19
Other liabilities	0.07	1.51	0.51	-1.09	-0.68	-0.25	0.25
Liabilities	12.38	22.61	44.13	56.69	70.41	84.36	98.57
Total liabilities and shareholders' equity	18.10	33.25	55.41	69.21	83.31	97.70	112.60

Financial Ratios

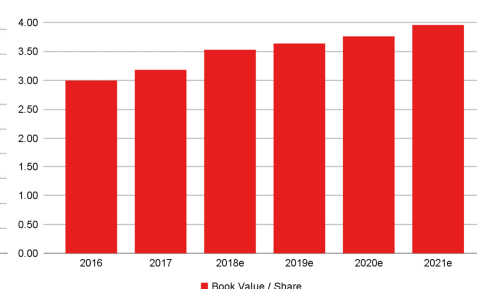
	2015	2016	2017	2018e	2019e	2020e	2021e
Return on Capital							
ROA	n.a.	3.5 %	3.1 %	4.4 %	2.8 %	2.8 %	3.0 %
ROE	n.a.	10.9 %	12.4 %	22.8 %	17.1 %	19.3 %	22.9 %
FFO I / Equity	n.a.	0.2 x	0.2 x	0.3 x	0.3 x	0.4 x	0.4 x
Solvency							
Net Debt	8.56	19.46	40.76	54.80	69.33	83.33	96.67
Net Financial Debt	8.53	19.37	40.58	54.62	69.16	83.15	96.49
Net Fin. Debt / EBITDA	12.3 x	8.2 x	10.4 x	8.1 x	10.1 x	10.1 x	10.0 x
LTV	59.7 %	56.0 %	61.1 %	63.4 %	65.4 %	67.1 %	68.5 %
Equity Ratio	31.6 %	32.0 %	20.5 %	18.5 %	15.8 %	13.9 %	12.7 %

LTV

Source: Warburg Research

ROE
in %

Source: Warburg Research

Book Value per Share
in EUR

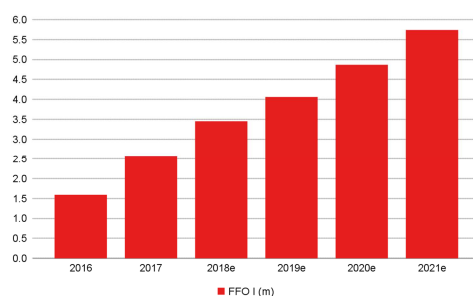
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2015	2016	2017	2018e	2019e	2020e	2021e
Net income	0.30	0.89	1.36	2.71	2.17	2.53	3.14
Valuation changes properties	0.00	0.00	0.00	1.00	0.00	0.00	0.00
Depreciation of fixed assets	-0.23	0.69	1.22	1.83	2.18	2.63	2.97
Amortisation of goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortisation of intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase/decrease in long-term provisions	0.00	0.07	0.08	0.00	0.00	0.00	0.00
Deferred taxes	0.00	0.07	0.28	0.12	0.10	0.13	0.15
Other non-cash income and expenses	n.a.	1.49	-1.30	0.00	0.00	0.00	0.00
Cash Flow before NWC change	n.a.	3.21	1.64	3.66	4.45	5.29	6.26
Increase / decrease in inventory	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Increase / decrease in accounts receivable	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Increase / decrease in accounts payable	n.a.	0.06	0.11	0.00	0.00	0.00	0.00
Increase / decrease in other working capital positions	n.a.	-0.14	-0.29	0.00	0.00	0.00	0.00
Increase / decrease in working capital (total)	n.a.	1.41	-1.48	0.00	0.00	0.00	0.00
Net cash provided by operating activities [1]	0.36	1.65	1.36	4.66	4.45	5.29	6.26
Investments in properties	n.a.	-17.92	-15.89	-17.50	-17.50	-17.50	-17.50
Income from asset disposals	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Investments in intangible assets	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Payments for acquisitions	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Financial investments	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Investments in other assets (net)	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided by investing activities [2]	-14.32	-17.92	-15.89	-17.50	-17.50	-17.50	-17.50
Change in financial liabilities	n.a.	8.59	22.24	14.17	13.32	13.52	13.71
Dividends paid	n.a.	0.22	-0.58	-1.21	-1.49	-1.79	-2.09
Purchase of own shares	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Capital measures	n.a.	1.32	0.00	0.00	0.00	0.00	0.00
Other	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided by financing activities [3]	3.71	14.02	21.63	12.96	11.83	11.73	11.61
Change in liquid funds [1]+[2]+[3]	n.a.	-2.25	7.09	0.12	-1.22	-0.48	0.37
Effects of exchange-rate changes on cash	n.a.	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalent at end of period	n.a.	1.46	8.56	8.68	7.46	6.98	7.35

Financial Ratios

	2015	2016	2017	2018e	2019e	2020e	2021e
Cash Flow							
FFO (II)	0.53	1.59	2.58	3.45	4.06	4.87	5.74
FFOPS I	0.24	0.54	0.73	0.97	1.15	1.37	1.62
FFOPS I diluted	0.24	0.45	0.73	0.97	1.15	1.37	1.62
FFO I-Yield	n.a.	10.4 %	8.2 %	8.1 %	9.5 %	11.4 %	13.9 %
FFO I-margin	52.2 %	46.2 %	44.3 %	39.6 %	39.1 %	38.7 %	38.7 %
Interest Paid / Avg. Debt	n.a.	3.4 %	2.8 %	2.5 %	2.5 %	2.5 %	2.5 %
Management of Funds							
Capex/Investment Properties	n.a.	-57.0 %	-30.6 %	-26.7 %	-21.6 %	-18.3 %	-15.9 %
Avg. Working Capital / Sales	n.a.	0.9 %	0.7 %	0.4 %	-0.7 %	-0.6 %	0.2 %
Dividend Payout Ratio	72.8 %	65.7 %	88.6 %	51.3 %	73.3 %	72.6 %	69.9 %

FFO

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
DEFAMA Deutsche Fachmarkt AG	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A13SUL5.htm

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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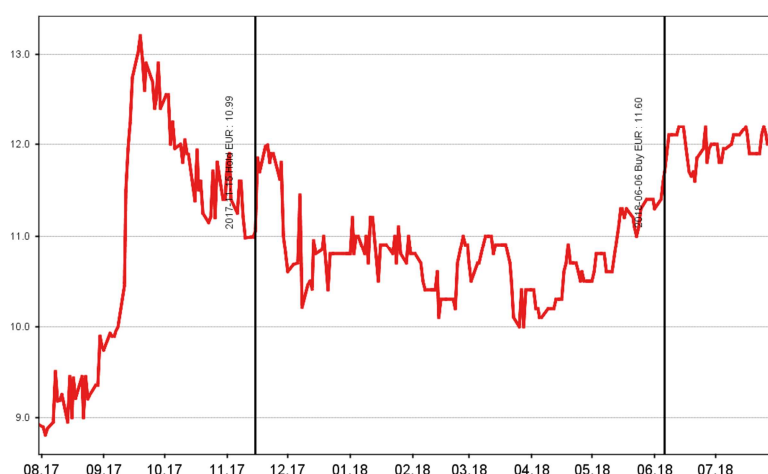
Rating	Number of stocks	% of Universe
Buy	112	55
Hold	88	43
Sell	4	2
Rating suspended	0	0
Total	204	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	32	70
Hold	14	30
Sell	0	0
Rating suspended	0	0
Total	46	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 30.07.2018



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

EQUITIES

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Lucas Boventer +49 40 309537-290
Renewables, Internet, Media lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marius Fuhrberg +49 40 309537-185
Small Cap Research mfuhrberg@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

J. Moritz Rieser +49 40 309537-260
Real Estate mrieser@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Cap. Goods, Renewables aroshanzamir@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Patrick Schmidt +49 40 309537-125
Leisure, Internet pschmidt@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Alexander Wahl +49 40 309537-230
Car Suppliers, Construction awahl@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
United Kingdom, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Paul Dontenwill +49 40 3282-2666
USA, Poland, The Netherlands pdontenwill@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Simon Pallhuber +49 69 5050-7414
Switzerland, France spallhuber@mmwarburg.com

Angelika Flegler +49 69 5050-7417
Roadshow/Marketing aflegler@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merkel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3282-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research research.mmwarburg.com/en/index.html
Bloomberg MMWA GO
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Capital IQ www.capitaliq.com

For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com